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THE DIRECTOR OF CENTRAL INTELLIGENCE

WASHINGTON, D.C. 20505

National Intelligence Council

DDI-6163-82
27 July 1982MEMORANDUM FOR: Director of Central Intelligence
Deputy Director of Central Intelligence

THROUGH: National Intelligence Officer for Warning

FROM:
Acting National Intelligence Officer for
Western Europe

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SUBJECT: Monthly Warning Assessment: Western Europe

Fallout from Extension of US Pipeline Sanctions

1. British, Italian, and German companies which, between them, have on hand some twenty rotors for the turbines already contracted for by the Soviet Union appear likely to ship the completed turbines. The companies remain very uncomfortable with the choice between obeying US sanctions (and encountering serious economic difficulties) and flouting US policy (thus risking counter-measures by Washington that might, inter alia, cut off future access to American technology). Definitively cancelling the Soviet orders may appear to have more immediately adverse consequences, including penalty payments to the Soviet Union. The companies, however, may ask Moscow to extend the 31 July deadline, in the hope that more talk with the US will lead to a relaxation of the sanctions -- at least as applied to prior contracts.

2. The French government has taken the lead in Europe in defying the US embargo on participation in the pipeline, but the French firm contracted to supply the critical GE-designed rotors is not due to provide them until late 1983. Paris may hope that before then the US will "adjust" its policy. If not, Paris may not only be prepared to fulfill the existing contract, but also to supply rotors to take the place of ones originally to be produced by the US.

3. Responsible European officials have no desire to use the pipeline sanctions, resented as they are, as a pretext for escalating other trade disputes with the US and risking a "trade war." The Europeans will be even more inclined than before, however, to press their cases vigorously and jointly in the appropriate forums on such issues as steel, agriculture, and the US Domestic International Sales Corporations which, according to an

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earlier GATT ruling, create export subsidies. The EC Commission has been given a new mandate to negotiate a steel agreement with the US on behalf of the Community as a whole. Heavy cutbacks in exports to the US would severely try their unity as the members look to the internal EC market to dispose of surpluses.

4. Whether or not expressed in terms of explicit EC policies, a new sense of European solidarity has been fostered by the pipeline sanctions and perceived US aggressiveness on other trade issues. The internal obstacles to transforming such sentiment into more meaningful political and institutional unity remain formidable, but the Europeans may increasingly seek an explicit dialogue with the US on East-West and broad economic matters -- in order both to take advantage of their new-found togetherness and to prevent the growth of anti-US attitudes in Europe.

Lebanon

5. Not all the Europeans agree with the French tactics for engineering a PLO departure from Beirut and there is general recognition of the little influence Western Europe has, in any case, over Israel. Nevertheless, there is considerable support in Europe for preserving a political role for the PLO which Paris' efforts will serve to focus and keep alive.



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